D.G Khan Cement Ratio Analysis for 2012, 2013 & 2014

VERTICAL ANALYSIS OF BALANCE SHEET

	2014	2013 (Re-stated)	2012 (Re-stated)	2011	2010	2009
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Issued, subscribed and paid up capital	5.98	6.90	8.64	8.82	7.76	7.12
Reserves	58.28	53.18	46.49	50.24	47.10	40.73
Accumulated profit	19.69	15.41	9.78	1.77	1.50	1.11
	83.94	**75.49**	**64.91**	**60.83**	[illegible]	**48.96**
NON-CURRENT LIABILITIES						
Long term finances - secured	1.80	4.56	9.13	9.85	10.82	10.24
Long term deposits	0.09	0.10	0.13	[illegible]	0.17	0.17
Retirement and other benefits	0.27	0.24	0.46	[illegible]	0.22	0.18
Deferred taxation	5.78	4.95	3.25	[illegible]	3.12	3.37
	7.95	**9.86**	**12.98**	[illegible]	**14.33**	**13.97**
CURRENT LIABILITIES						
Trade and other payables	3.38	3.60	[illegible]	3.31	3.57	3.36
Accrued finance cost	0.08	0.20	0.32	0.57	0.74	1.24
Short term borrowings - secured	3.48	[illegible]	13.28	17.50	20.38	21.23
Current portion of non-current liabilities	1.10	[illegible]	4.27	4.03	4.55	11.15
Derivative financial instrument	0.02		-	-	-	-
Provision for taxation	0.05	[illegible]	0.07	0.07	0.07	0.08
	8.1[illegible]	**[illegible].65**	**22.11**	**25.48**	**29.30**	**37.06**
Total	**1[illegible]**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	40.71	45.55	53.98	52.31	54.78	61.08
Intangible assets	0.05	0.09	0.15	-	-	-
Investments	15.36	13.62	9.60	10.59	9.98	7.43
Long term loans and [illegible]	0.12	0.15	0.24	0.27	0.34	0.39
	56.24	**59.40**	**63.96**	**63.17**	**65.10**	**68.90**
CURRENT ASSETS						
Stores, spare parts and loose tools	5.03	6.16	7.82	7.13	6.41	6.87
Stock-in-trade	1.84	2.62	1.88	1.74	2.20	2.11
Trade debts	0.23	0.43	0.63	0.92	0.65	1.20
Investments	33.30	28.12	21.95	24.41	22.83	18.22
Advances, deposits, prepayments and other receivables	1.04	0.96	1.23	2.29	2.31	2.13
Income tax receivable	0.52	1.57	1.69	-	-	-
Derivative financial instrument	-	0.00	-	-	-	-
Cash and bank balances	1.79	0.74	0.85	0.34	0.49	0.57
	43.76	**40.60**	**36.04**	**36.83**	**34.90**	**31.10**
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

BALANCE SHEET

	Note	2014	2013	2012
			(Rupees in thousand)	
			(Re-stated)	(Re-stated)
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Authorised capital				
- 950,000,000 (2013: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000	9,500,000
- 50,000,000 (2013: 50,000,000) preference shares of Rs 10 each		500,000	500,000	500,000
		10,000,000	10,000,000	10,000,000
Issued, subscribed and paid up capital 438,119,118 (2013: 438,119,118) ordinary shares of Rs 10 each	6	4,381,191	4,381,191	4,381,191
Reserves	7	42,705,35[illegible]	33,785,204	23,562,612
Accumulated profit		14,429,950	9,790,403	4,955,722
		61,516,535	47,956,798	32,899,525
NON-CURRENT LIABILITIES				
Long term finances - secured	[illegible]	1,321,009	2,899,187	4,629,083
Long term deposits	[illegible]	68,970	65,383	68,355
Retirement and other benefits	11	200,187	153,020	232,973
Deferred taxation	11	4,234,805	3,144,738	1,649,319
		5,824,971	6,262,328	6,579,730
CURRENT LIABILITIES				
Trade and other payables	12	2,476,304	2,286,351	2,108,894
Accrued finance cost	13	59,417	125,830	162,931
Short term borrowings - secured	14	2,551,676	5,420,290	6,733,467
Current portion of non-current liabilities	15	803,174	1,440,032	2,165,561
Derivative financial instrument	16	14,902	-	-
Provision for taxation		35,090	35,090	35,090
		5,940,563	9,307,593	11,205,943
CONTINGENCIES AND COMMITMENTS	17	-	-	-
		73,282,069	63,526,719	50,685,198

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive

AS AT JUNE 30, 2014

	Note	2014	2013	2012
			(Rupees in thousand)	
			(Re-stated)	(Re-stated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	18	29,832,625	28,934,979	27,360,520
Intangible assets	19	36,904	55,356	73,808
Investments	20	11,258,370	8,650,860	4,864,945
Long term loans and deposits	21	85,544	95,535	120,342
		41,213,443	37,736,730	32,419,615
CURRENT ASSETS				
Stores, spare parts and loose tools	22	3,688,795	3,912,998	3,962,468
Stock-in-trade	23	1,348,742	1,661,721	954,645
Trade debts	24	168,769	273,535	317,970
Investments	25	24,405,153	17,862,718	11,126,051
Advances, deposits, prepayments and other receivables	26	764,140	611,777	621,001
Income tax receivable		384,001	996,522	855,007
Derivative financial instrument	16	-	1,837	-
Cash and bank balances	27	1,309,026	468,881	428,441
		32,068,626	25,789,989	18,265,583
		73,282,069	63,526,719	50,685,198

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		----(Rupees in thousand)----	
Sales	28	26,542,509	24,915,924
Cost of sales	29	(17,284,941)	(15,589,917)
Gross profit		9,257,568	9,326,007
Administrative expenses	30	(480,468)	(405,579)
Selling and distribution expenses	31	(1,445,225)	(1,751,174)
Other operating expenses	32	(518,[illegible]45)	(544,806)
Other income	33	1,[illegible]17,126	1,466,289
Profit from operations		8,460,256	8,090,737
Finance cost	34	(608,859)	(994,879)
Profit before taxation		7,851,397	7,095,858
Taxation	35	(1,885,899)	(1,593,689)
Profit after taxation		5,965,498	5,502,169
Earnings per share - basic and diluted	36	13.62	12.56

The annexed notes [illegible] form an integral part of these financial statements.

Chief Executive

Director

VERTICAL ANALYSIS OF BALANCE SHEET

	2014	2013 (Re-stated)	2012 (Re-stated)	2011	2010	2009
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Issued, subscribed and paid up capital	5.98	6.90	8.64	8.82	7.76	7.12
Reserves	58.28	53.18	46.49	50.24	47.10	40.73
Accumulated profit	19.69	15.41	9.78	1.77	1.50	1.11
	83.94	**75.49**	**64.91**	**60.83**	**56.37**	**48.96**
NON-CURRENT LIABILITIES						
Long term finances - secured	1.80	4.56	9.13	9.83	[illegible]	10.24
Long term deposits	0.09	0.10	0.13	0.14	[illegible]	0.17
Retirement and other benefits	0.27	0.24	0.46	0.28	[illegible]	0.18
Deferred taxation	5.78	4.95	3.25	3.44	[illegible]	3.37
	7.95	**9.86**	**12.98**	**13.6[illegible]**	**14.33**	**13.97**
CURRENT LIABILITIES						
Trade and other payables	3.38	3.60	[illegible]	[illegible]	3.57	3.36
Accrued finance cost	0.08	0.20	[illegible]	0.57	0.74	1.24
Short term borrowings - secured	3.48	8.53	[illegible]	17.50	20.38	21.23
Current portion of non-current liabilities	1.10	2.27	[illegible]	4.03	4.55	11.15
Derivative financial instrument	0.02	-	-	-	-	-
Provision for taxation	0.05	[illegible]	0.07	0.07	0.07	0.08
	8.11	**[illegible]**	**[illegible]**	**25.48**	**29.30**	**37.06**
Total	**100.00**	**[illegible]**	**100.00**	**100.00**	**100.00**	**100.00**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	[illegible]	45.55	53.98	52.31	54.78	61.08
Intangible assets	[illegible]	0.09	0.15	-	-	-
Investments	15.36	13.62	9.60	10.59	9.98	7.43
Long term loans and deposits	0.12	0.15	0.24	0.27	0.34	0.39
	56.24	**59.40**	**63.96**	**63.17**	**65.10**	**68.90**
CURRENT ASSETS						
Stores, spare parts and loose tools	5.03	6.16	7.82	7.13	6.41	6.87
Stock-in-trade	1.84	2.62	1.88	1.74	2.20	2.11
Trade debts	0.23	0.43	0.63	0.92	0.65	1.20
Investments	33.30	28.12	21.95	24.41	22.83	18.22
Advances, deposits, prepayments and other receivables	1.04	0.96	1.23	2.29	2.31	2.13
Income tax receivable	0.52	1.57	1.69	-	-	-
Derivative financial instrument	-	0.00	-	-	-	-
Cash and bank balances	1.79	0.74	0.85	0.34	0.49	0.57
	43.76	**40.60**	**36.04**	**36.83**	**34.90**	**31.10**
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

VERTICAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

	2014	2013	2012	2011	2010	2009
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of sales	-65.12	-62.57	-67.29	-76.40	-83.38	-68.51
Gross profit	**34.88**	**37.43**	**32.71**	**23.60**	**16.62**	**31.49**
Administrative expenses	-1.81	-1.63	-1.17	-1.14	-1.06	-0.79
Selling and distribution expenses	-5.44	-7.03	-9.60	-13.30	-6.11	-10.38
Other operating expenses	-1.95	-2.19	-2.18	-0.20	-1.16	-4.41
Other income	6.21	5.88	5.18	5.96	5.60	4.27
Impairment on investments	-	-	-	-0.64	-	-1.43
Profit from operations	**31.87**	**32.47**	**24.94**	**14.28**	**13.[illegible]**	**18.76**
Finance cost	-2.29	-3.99	-7.28	-11.04	[illegible]	-14.45
Profit before taxation	**29.58**	**28.48**	**17.66**	**3.24**	**[illegible].20**	**4.31**
Taxation	-7.11	-6.40	0.24	[illegible]	[illegible]0.77	-1.39
Profit after taxation	**22.48**	**22.08**	**17.90**	**0.[illegible]**	**1.43**	**2.91**

HORIZONTAL ANALYSIS OF BALANCE SHEET YOY (PKR in thousands)

	2014	2013 (Re-stated)	2012 (Re-stated)	2011	2010	2009
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Issued, subscribed and paid up capital	4,381,191	4,381,191	4,381,191	4,381,192	3,650,993	3,042,494
%	-	-	-0.00	20.00	20.00	20.00
Reserves	42,705,394	33,785,204	23,562,612	24,957,382	22,160,477	17,401,220
%	26.40	43.38	-5.59	12.62	27.35	-36.94
Accumulated profit	14,429,950	9,790,403	4,955,722	878,711	707,750	474,728
%	47.39	97.56	463.98	24.16	49.09	1,033.53
	61,516,535	**47,956,798**	**32,899,525**	**30,217,285**	**26,519,220**	**20,918,442**
%	**28.27**	**45.77**	**8.88**	**13.94**	**26.77**	**-30.46**
NON-CURRENT LIABILITIES						
Long term finances - secured	1,321,009	2,899,187	4,629,083	4,880,579	5,089,507	4,375,837
%	-54.44	-37.37	-5.15	-4.11	16	-47.98
Long term deposits	68,970	65,383	68,355	70,893	81	73,765
%	5.49	-4.35	-3.58	-12.63	10	-0.17
Retirement and other benefits	200,187	153,020	232,973	139,213	10	78,622
%	30.82	-34.32	67.35	33.82	3	45.55
Deferred taxation	4,234,805	3,144,738	1,649,319	1,707,886	1,4 960	1,441,576
%	34.66	90.67	-3.43	16.5	1.69	9.29
	5,824,971	**6,262,328**	**6,579,730**	**6,798,5**	50,634	**5,969,800**
%	**-6.98**	**-4.82**	**-3.22**		2.91	**-39.44**
CURRENT LIABILITIES						
Trade and other payables	2,476,304	2,286,351	2,108,894	1	1,679,749	1,435,420
%	8.31	8.41	2	13	17.02	4.75
Accrued finance cost	59,417	125,830	1	1,511	346,425	531,772
%	-52.78	-22.77	2.7	-17.87	-34.85	45.83
Short term borrowings - secured	2,551,676	5,420,290	6,7	8,691,982	9,585,642	9,068,575
%	-52.92	-19.50	-22.5	-9.32	5.70	19.37
Current portion of non-current liabilities	803,174	1,440,032	2,165,5	2,001,566	2,139,283	4,763,942
%	-44.23	-33.50	8.19	-6.44	-55.09	77.26
Derivative financial instrument	14,902	-	-	-	-	-
%	100.00	-	-	-	-	-
Provision for taxation	35,090	35	35,090	35,090	35,090	35,090
%	-		-	-	-	-
	5,940,563	**9,**	**11,205,943**	**12,657,194**	**13,786,189**	**15,834,799**
%	**-36.18**	**-16.**	**-11.47**	**-8.19**	**-12.94**	**31.36**
Balance Sheet Total	**73,282,069**	**63,526,71**	**50,685,198**	**49,673,050**	**47,046,043**	**42,723,041**
%	**15.3**		**2.04**	**5.58**	**10.12**	**-17.83**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	29,02,5	28,934,979	27,360,520	25,985,385	25,772,952	26,096,001
%	3.	5.75	5.29	0.82	-1.24	2.45
Intangible assets	36,9	55,356	73,808	-	-	-
%	-33.33	-25.00	100.00	-	-	-
Investments	11,258,370	8,650,860	4,864,945	5,259,416	4,696,922	3,172,508
%	30.14	77.82	-7.50	11.98	48.05	-53.32
Long term loans and deposits	85,544	95,535	120,342	133,219	158,677	166,940
%	-10.46	-20.61	-9.67	-16.04	-4.95	-68.08
	41,213,443	**37,736,730**	**32,419,615**	**31,378,020**	**30,628,551**	**29,435,449**
%	**9.21**	**16.40**	**3.32**	**2.45**	**4.05**	**-10.23**
CURRENT ASSETS						
Stores, spare parts and loose tools	3,688,795	3,912,998	3,962,468	3,543,034	3,017,742	2,935,880
%	-5.73	-1.25	11.84	17.41	2.79	27.69
Stock-in-trade	1,308,742	1,661,721	954,645	862,141	1,036,876	899,836
%	-18.83	74.07	10.73	-16.85	15.23	101.82
Trade debts	168,769	273,535	317,970	459,300	303,949	513,966
%	-38.30	-13.97	-30.77	51.11	-40.86	40.36
Investments	24,405,153	17,862,718	11,126,051	12,126,349	10,740,972	7,785,968
%	36.63	60.55	-8.25	12.90	37.95	-48.38
Advances, deposits, prepayments and other receivables	764,140	611,777	621,001	1,136,564	1,087,161	908,100
%	24.90	-1.49	-45.36	4.54	19.72	16.07
Income tax receivable	384,001	996,522	855,007	-	-	-
%	-61.47	16.55	100.00	-	-	-
Derivative financial instrument	-	1,837	-	-	-	-
%	-100.00	100.00	-	-	-	-
Cash and bank balances	1,309,026	468,881	428,441	167,642	230,792	243,842
%	179.18	9.44	155.57	-27.36	-5.35	7.72
	32,068,626	**25,789,989**	**18,265,583**	**18,295,030**	**16,417,492**	**13,287,592**
%	**24.35**	**41.19**	**-0.16**	**11.44**	**23.56**	**-30.80**
Balance Sheet Total	**73,282,069**	**63,526,719**	**50,685,198**	**49,673,050**	**47,046,043**	**42,723,041**
%	**15.36**	**25.34**	**2.04**	**5.58**	**10.12**	**-17.83**

HORIZONTAL ANALYSIS OF PROFIT AND LOSS ACCOUNT YOY (PKR in thousands)

	2014	2013	2012	2011	2010	2009
Sales	26,542,509	24,915,924	22,949,853	18,577,198	16,275,354	18,038,209
%	6.53	8.57	23.54	14.14	-9.77	44.93
Cost of sales	-17,284,941	-15,589,917	-15,443,098	-14,192,229	-13,569,994	-12,358,479
%	10.87	0.95	8.81	4.59	9.80	17.36
Gross profit	**9,257,568**	**9,326,007**	**7,506,755**	**4,384,969**	**2,705,360**	**5,679,730**
%	**-0.73**	**24.23**	**71.19**	**62.08**	**-52.37**	**196.55**
Administrative expenses	-480,468	-405,579	-267,705	-211,362	-172,436	-141,852
%	18.46	51.50	26.66	22.57	21.6[illegible]	27.04
Selling and distribution expenses	-1,445,225	-1,751,174	-2,202,901	-2,470,599	-9[illegible]	-1,871,517
%	-17.47	-20.51	-10.84	148.45	[illegible]	233.33
Other operating expenses	-518,745	-544,806	-500,835	-37,964	-189,015	-795,854
%	-4.78	8.78	1,219.24	-79.[illegible]	76.25	36.77
Other income	1,647,126	1,466,289	1,187,936	1,13[illegible]130	911,672	770,137
%	12.33	23.43	4.74	24.[illegible]0	18.38	-9.11
Impairment on investments	-	-		18[illegible]36	-	-257,386
%	-	-		-	-100.00	-
Profit from operations	**8,460,256**	**8,090,737**	**5,723,250**	**2,680,338**	**2,261,163**	**3,383,258**
%	**4.57**	**41.37**	**113.53**	**18.54**	**-33.17**	**124.42**
Finance cost	-608,859	-994,8[illegible]	-1,6[illegible],784	-2,079,146	-1,902,760	-2,606,358
%	-38.80	-4[illegible]5	19.64	9.27	-27.00	48.95
Profit before taxation	**7,851,397**	**7,09[illegible]**	**4,052,466**	**601,192**	**358,403**	**776,900**
%	**10.65**	**75.1[illegible]**	**574.07**	**67.74**	**-53.87**	**409.61**
Taxation	-1,885,89[illegible]	-1,5[illegible],689	55,652	-430,231	-125,381	-251,319
%	18.3[illegible]	2,963.67	-112.94	243.14	-50.11	227.12
Profit after taxation	**9[illegible]**	**5,502,169**	**4,108,118**	**170,961**	**233,022**	**525,581**
%	**8.42**	**33.93**	**2,302.96**	**-26.63**	**-55.66**	**1,087.38**

a. **Current Ratio:** Current ratio is a measure of liquidity, it shows how much current assets organization to cover its current liabilities. A good current ratio varies from industry to industry that is in some industries above 2 is considered good and in others above 4 or 5 is considered good. Current ratio in technical terms show how much times each $ of current liability is coverd by current assets a score above 1 is considered ok.

Formula: Current Assets/ Current Liabilities

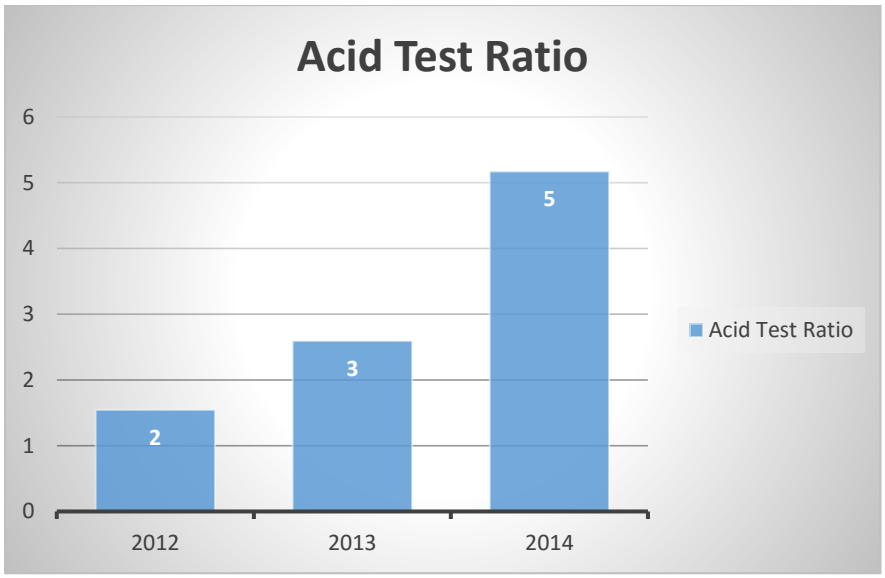
Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Current Ratio	18265583/11205943	2	25789989/9307593	3	32068626/5940563	5

Current ratio is increasing year on year it increased by 50% in 2013 and then further increased by 67% in 2014. The increase is because of increase in current assets compared to the current liabilities. Most of the other heads under the current assets figure are decreasing such as stores, stock in trade, trade debts and income tax receivable are decreasing in the year 2014. Stores have reduced by 5.73% and stock in trade also reduced by 18.83% to better align with demand. Trade debts have reduced by 38.3% in 2014 this became possible with better collections of receivable the receivables showed a steady of decline since 2012. There is a decline of an income tax receivable of 61.47% compared to 2013 it is because organization has received tax benefits in year 2014 which were pending since 2013. The increase in current assets is chiefly because of significant increase in the cash & bank balances year on year this balance increase by 9.44% in 2013 and it further increased by 179.18% in 2014 this is happening because of poor working capital management the organization has surplus cash and it is not being invested It amounts to 1.79% of total assets. Short term investments have increased year on year in year 2013 it increased by 60.55% and then further increased by 36.63% this is happening because of surplus cash being invested in short term investments, short term investment amount to 33.30% of total assets and are a significant balance.

b. **Acid Test Ratio:** Like current ratio it also attempts to measure liquidity of the company. It excludes less liquid item that is inventory from current assets total so that only liquid items such as cash, bank balance, short term receivables, bonds etc are considered.

Formula: Current Assets-Inventory/Current Liabilities

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Acid Test Ratio	(18265583-954645)/11205944	2	(25789989-1661721)/9307594	3	(32068626-1348742)/5940564	5

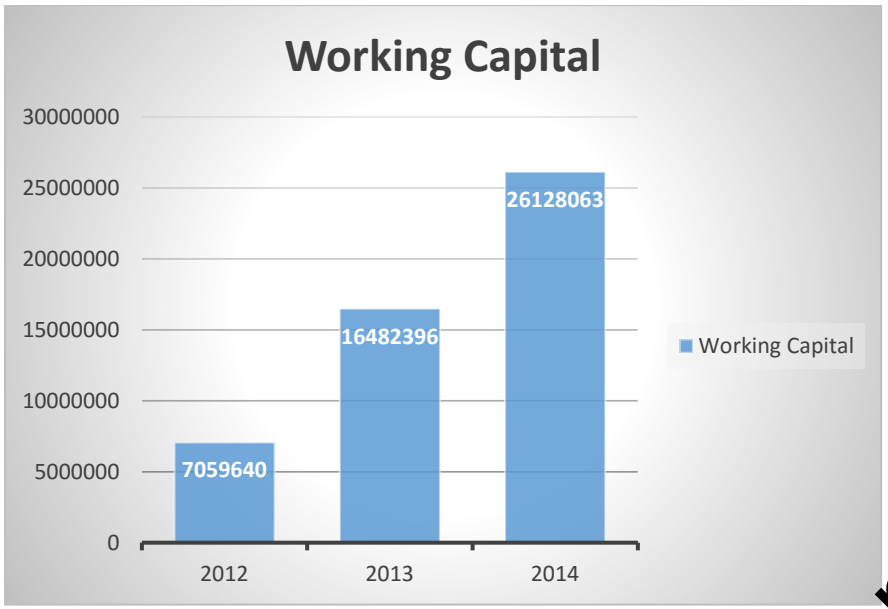


As of current ratio acid test ratio also attempts to measure liquidity of the company. It is also increasing in line with the current ratio. It measures liquidity be excluding the less liquid items such as inventory and advances. In year 2014 it was 2 times but after wards it increased steadily to 3 times in 2013 and it further increase to 5 times in 2014. This sharp increase is due to increase in cash and bank balances and short term investments which both have increased sharply compared to year 2013 short term investments have increased by a remarkable 36.63% whereas cash and bank balances have increased by 179.18%. Increase in short term investments is because of an increase in liquid resources to balance this an attempt is made to invest short term resources so profit can be earned, still there is lot of free cash Nextek has to identify other profitable short term investments to invest its cash and bank balances. This is being delayed because of poor working capital management.

c. **Working Capital:** Working capital shows the difference between current assets and current liabilities. An increase in current assets suggest increased investment in current assets and a decrease in current liabilities. The difference shows how much surplus current assets the company has after deducting current liabilities. It shows operational liquidity of the company. Positive working capital is required for the company oto run its operations. Company has to manage its working capital so that it could maintain a balance between liquidity and profitability.

Formula: Current Assets - Current Liabilities

Ratio	2012 Calcuation	2012	2013 Calc.	2013	2014 Calc.	2014
Working Capital	18265583-11205943	7059640	25789989-9307593	16482396	32068626-5940563	26128063

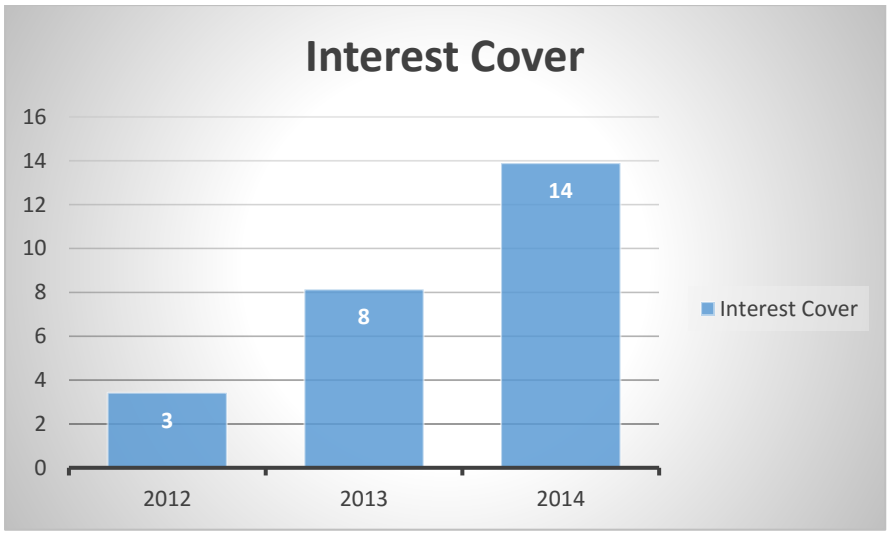


Working Capital is increasingly steadily in 2012 it was 7059650, in 2013 it increased to 16482396 an increase of 133%m in 2014 it increased to 26128063 an increase of 58% compared to last year. Among major reasons of sharp increase in 2013 of working capital could be attributed to an increase of 60.55% in short term investments and cash and bank balances by 179.18 % both these balances further increased significantly in 2014 becoming one of the major reason of an increase in working capital. In 2014 trade debts reduced by 38.3% also less cash was invested in stocks and spares which have led to an increase in cash and hence current assets. There is also a decreasing trend in current liabilities because of surplus cash resources all current liabilities being settled on time. A consistent reduction in current liabilities and consistent increase in current assets have led to an overall increase in working capital year on year.

d. **Interest Cover:** Interest cover shows how many times times interest can be paid by the current profit before interest and tax. A higher interest cover shows better financial health. It is a measure of company liquidity. If companies interest cover less then one it suggests that the companys might pay going concern issues in the future as it does not have enough profit to pay its interest.

Formula: PBIT/ Interest

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Interest Cover	5723250/1670784	3	8090737/994879	8	8460256/608859	14



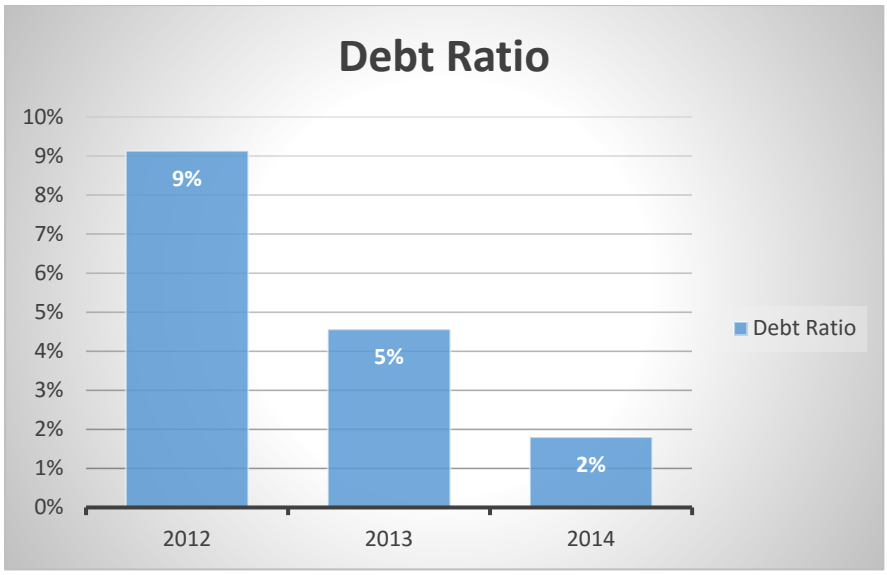
Interest cover has increased significantly year on year since 2012. It has increased by 5 times to 8 in 2014 compared to 2012 and increased further by 6 times in 2014 to 14. This significant increase is because of steady decrease in the finance cost it reduced by 19.64% in 2012, then further reduced in 2013 by 40.45%, in 2014 it reduced by 38.8% because of debt pay off and also because of reduced interest rate as the company became less risky apart from this an increase in operating profit which increased by 113.53% in 2012 and the further increased in 2013 by 41.37, in 2014 it increased by 4.57% has contributed toward an increase in the interest cover.

e. **Debt Ratio:** Debt ratio shows how much %age of debt is present in the capital structure. A higher proprtion of debt means company has to pay fixed interest payments on the debt and also have to return the principal amount of debt increasing companies current and non-current liabilities making company more risky for this risk lenders require higher return this is called risk premium. Some lenders may also be reluntant to lend if the company is too risky or the financial risk is too high.

Formula: Total Debts/Total Assets

Total Debt= Long term finances - secured

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Debt Ratio	4629083/50685198	9%	2899187/63526719	5%	1321009/73282069	2%



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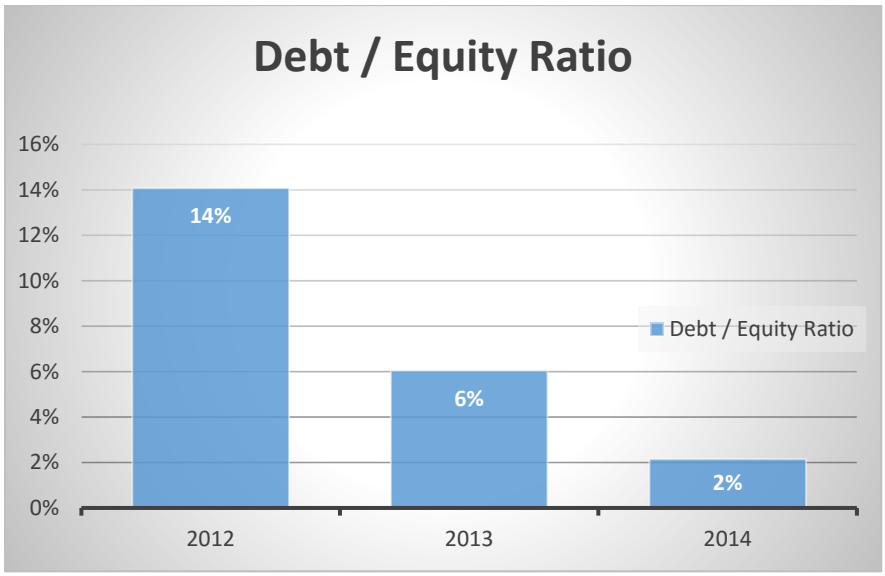
f. **Debt / Equity Ratio:**Debt to equity ratio compares debt with equity to find how much is debt compared to equity in the capital structure. A higher debt suggest that company has a higher financial risk because of high financial gearing it has to make high interest payments regardless of increase/decrease in profitability. However there is a point at which overall WACC is the lowest there is an optimum mix of debt and equity as debt is cheaper then equity.

Formula: Debt/ Equity

Total Debt = Long term finances – secured

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Debt / Equity Ratio	4629083/32899525	14%	2899187/47956798	6%	1321009/61516535	2%

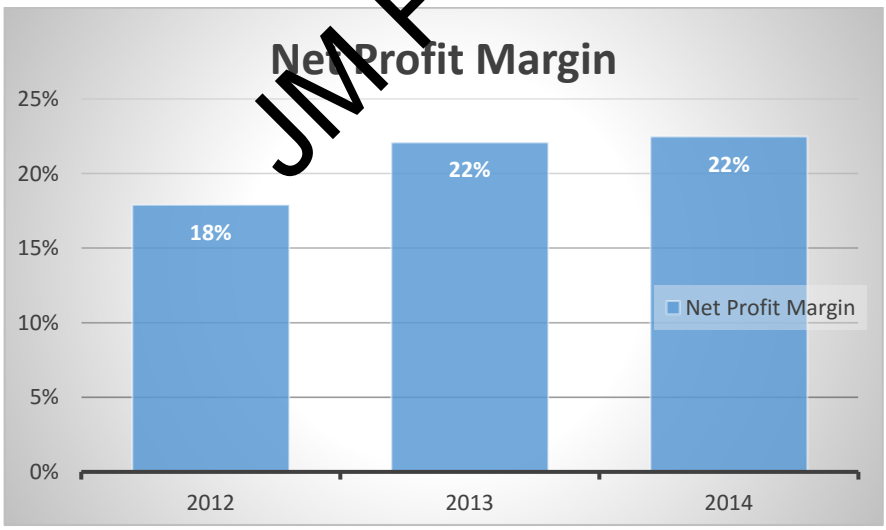


Debt was 20% in 2012 of equity it further reduced to 13% in 2013 and then again further reduced to 9% in 2014. Reduction in debt means less financial gearing and less risk.

g. **Net Profit Margin:** Net profit margin is calculated after deducting all expenses. After all operational expenses are deducted from gross profit then we arrive at the net profit. Net profit is an indicator of overall profitability of the company.

Formula: Net Profit Margin/ Sales * 100

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Net Profit Margin	4108118/22949853	18%	5502169/24915924	22%	5965498/26542509	22%



Net Profit margin is the profit earned after deducting all expenses so higher is good in 2012 it was 18%, in 2013 it improved to 22% and in 2014 it remained the same. Sales have increased a remarkable of

23.54% in 2012 after then showed growth of 8.57% and 6.53% in years 2013 and 2014 respectively. In 2012 the revenue grew by 23.54% but cost of sales only increased by 8.81%, in 2013 revenue grew by 8.57% and cost grew by 0.95% but in 2014 revenue grew by only 6.53% and cost of sales grew by 10.87% suggesting poor cost control in 2014 that has contributed toward as lower gross profit and stagnant net profit. Administrative expenses also increased by 51.5% that in 2013 and 18.46% in 2014 not proportionate to increase in revenue.

h. **Gross Profit Margin:** Gross profit margin is calculated after deductling cost of sales from revenue. Cost of sales include inventory costs and other direct costs such as labor incurred to produce goods.

Formula: (Gross Profit / Revenue)*100

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Gross Profit Margin	7506755/22949853	33%	9326007/24915924	37%	9217568/26542509	35%
COS/Sales	15443098/22949853	67%	15589917/24915924	63%	17284941/26542509	65%

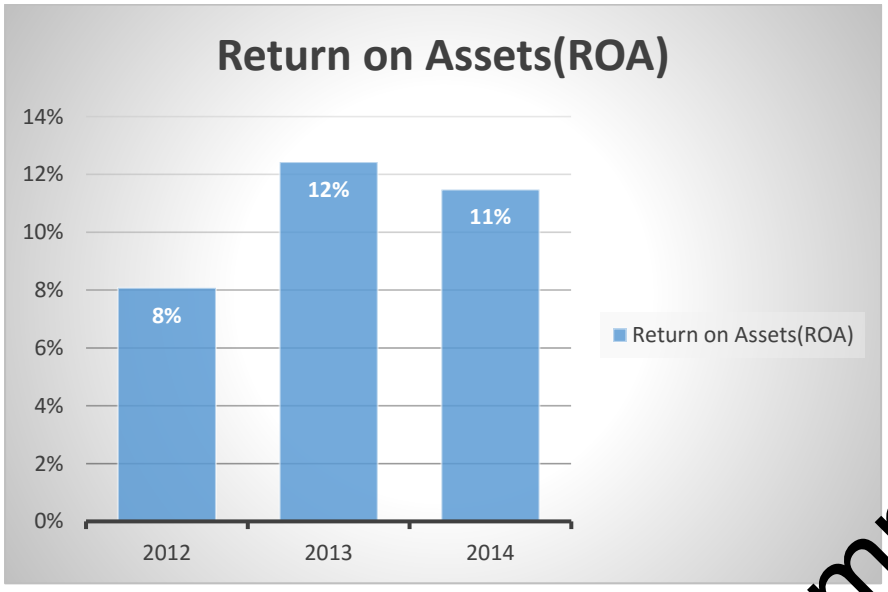
Gross profit margin was 33% in 2012 and was increased to 37% in 2013 and then increased to 33% in 2014. Sales have increased steadily from 2012 to 2014, in 2012 increase was 23.54% which further increased to 8.57% in 2013 and then in 2014 increased by 6.53%. Cost of sales as percentage of sales in 2012 it was 67%, in 2013 it decreased to 63% and in 2014 increase to 67%. In 2013 the gross profit margin was the highest at 37% since it declined by 2% because of poor cost control it shows that there is margin for improvement by reducing direct costs.

i. **Return on Assets (ROA):** Return on assets is being calculated as net income / total assets. It shows how much return is being generated on the assets being employed.The industry standard varies widely for this ratio. Accounting policies that determine value of assets also influence this ratio so this ratio is susceptible to window dressing. Accounting policies used to calculate value of the assets should be considered before making any cross sectional analysis.

Formula: Net Income / Total Assets

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Return on Assets(ROA)	4052466/50179124	8%	7095858/57105959	12%	7851397/68404394	11%
Total Assets	(50685198+49673050)/2	50179124	(63526719+50685198)/2	57105959	(73282069+63526719)/2	68404394
% Increase				12%		17%

Total Assets: (Opening total assets + closing total assets)/2

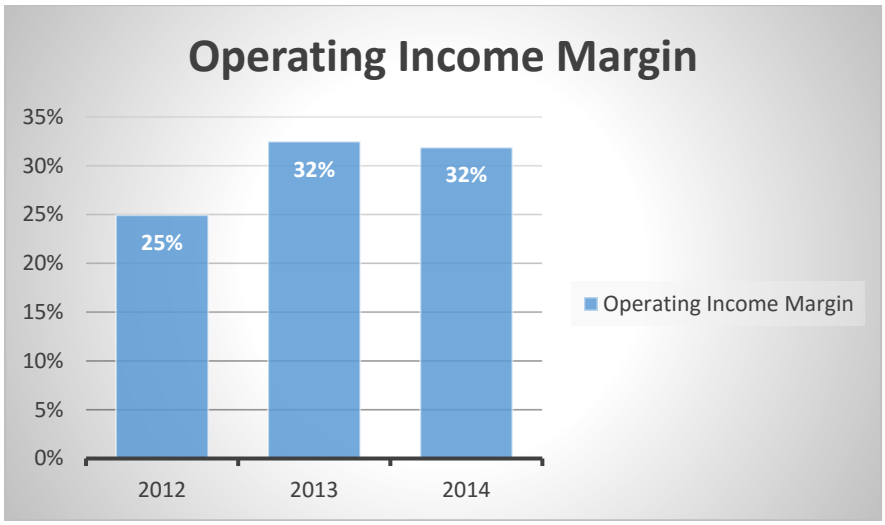


The value of assets is basically discounted future cash flows expected from these assets. If the future cash flow are expected to decrease then assets are impaired and an expense should be recognized in the income statement. Return on assets ratio shows us how much return is being made on assets being employed if it is in negative then a loss is being made. Currently the return is positive in year 2014 11% return is made, in 2013 12% and in 2012 8%. The best year was 2013 for return on assets at 12%. This was achieved by simultaneously increasing net income and reducing costs. Net income increased by 2303% in year 2012, it further increased by 33.93% in 2013 and in 2014 it was increased by 8.42%. In 2013 Assets increased by 12% and in 2014 further increased by 17%. In 2013 net income increased by 33.93% because of better cost control and assets that why the 12% return was achieved. In 2014 assets increased and the growth in net income did not commensurate therefore the ratio fell by 1% to11%.

j. **Operating Income Margin:** Operating income margin is calculated as operating income / sales. It shows %age of total revenue left after deducting all expenses. It is a useful measure to business profitability. It also shows how good the company was good at controlling its costs to improve its margin.

Formula: Operating Income/ Sales

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Operating Income Margin	5723250/22949853	25%	8090737/24915924	32%	8460256/26542509	32%

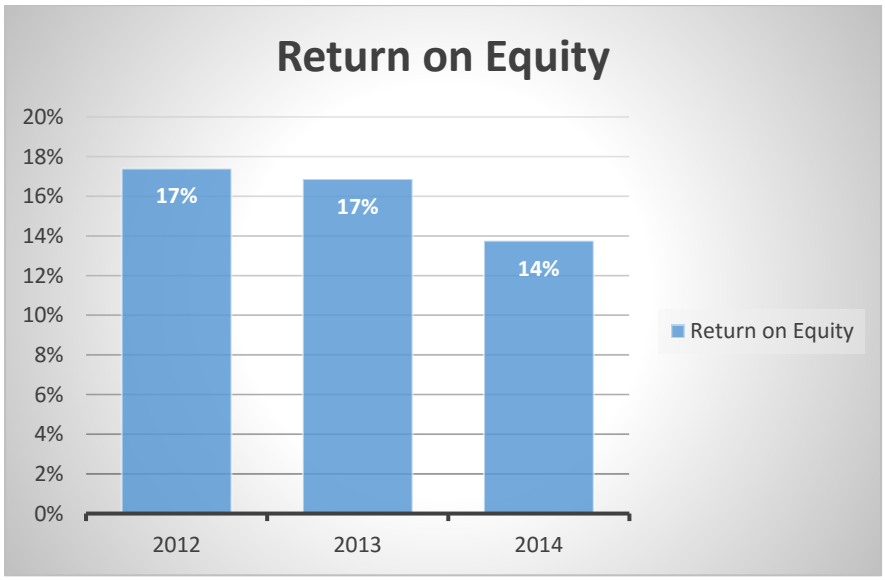


Operating income margin was 25% in 2012 it increased to 32% in 2013 and remained stagnant afterwards in 2014. The operating income increased by 41.37% in 2013 and only 4.57% in 2014. Increase of sales in 2013 was 8.57% and in 2014 6.53%. Increase in 2013 is largely attributable to the increase of sales by 8.57% and only a 0.95% increase in cost of sales. Even though the administrative expense increased by 51.5% the operating profit showed growth of 41.37% in 2013.

k. **Return on Equity:** Return on equity is a measure which shows what is the %age of net income of equity that is earned. It is a useful measure to know how much return is being made on the investment made. It measures companies efficiency in generating profits. A %age between 15-20% is considered good.

Formula: Net Income / Equity

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Return on Equity	5723250/32895525	17%	8090737/47956798	17%	8460256/61516535	14%



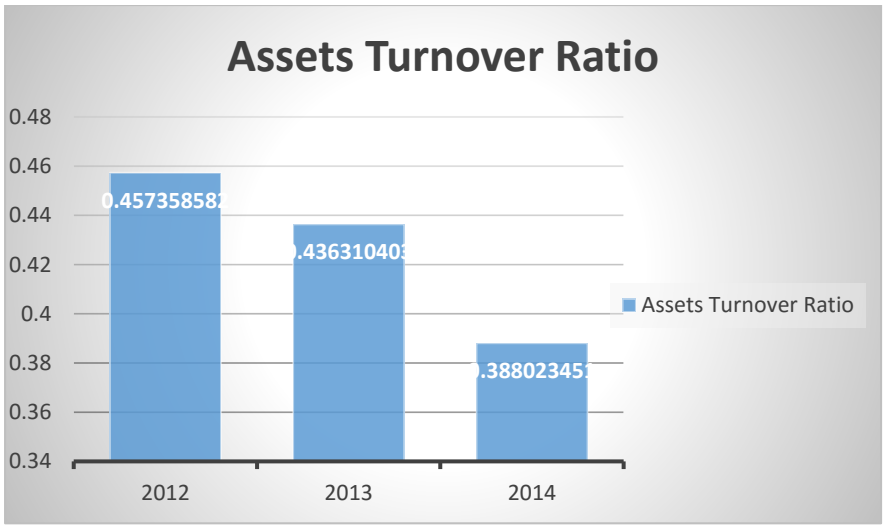
Return on equity was 17% in 2012 it remained static in 2013 and then decreased by 3% in 2014. The numerator and denominator in the return on equity are both increasing. In year 2013 the increase in both cancelled each other but in 2014 the increase in equity was more then the increase in the net income which resulted in a decline of 3%.

l. **Asset Turnover Ratio:** Asset turnover ratio measures efficiency by which its assets are being used in generating sales revenue. Companies with low profit margins have higher asset turnover.

Formula: Revenue/Total Assets

Total Assets: (Opening total assets + closing total assets)/2

Ratio	2012 Calc.	2012	2013 Calc.	2013	2014 Calc.	2014
Assets Turnover Ratio	22949853/50179124	0.457358582	24915924/57105959	0.436310403	26542509/68404394	0.388023451
Total Assets	(50685198+49673050)/2	50179124	(63526719+50685198)/2	57105959	(73282069+63526719)/2	68404394
% Increase				12%		17%

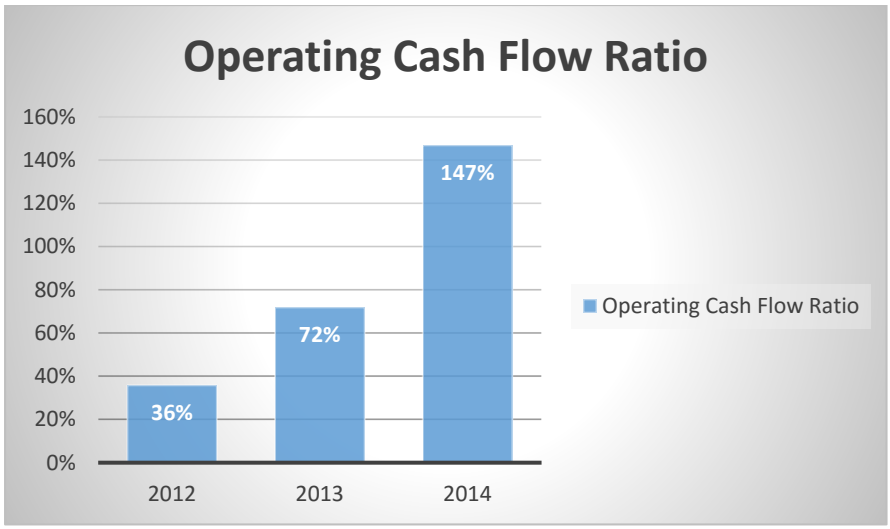


Asset turnover was 0.46 time in 2012 it reduced to 0.44 times in 2013 and has reduced further to 0.38% times in 2014. Asset turnover is decreasing because the increase in assets does not commensurate with the increase in revenue. Revenue showed an impressive growth in 2012 of 23.54% but after then the growth reduced to 8.57 in 2013 and then further reduced to 6.53% in 2014. Increase in total assets whereas is in 2012 2.04%, 25.34% in 2013 and 15.36% in 2014. The comparison is not absolute as the total assets number is much larger then the revenue number %age increase in revenue not same as total assets still assets %age growth greater.

m. **Operating Cash Flow Ratio**: Operating cash flow ratio show how much company has cash in hand to meet its current liabilities. Operating cash flow gauges companies liquidity in the short term. It is some time better to use this ratio then profitability ratio as more companies fail because of lack of cash then profit.

Formula: Cashflow from operations / current liabilities

Ratio	2012 Calc.	2012	2013 Calc.s	2013	2014 Calc.s	2014
Operating Cash Flow Ratio	4011634/11205943	36%	6685968/9307593	72%	8724257/5940563	147%

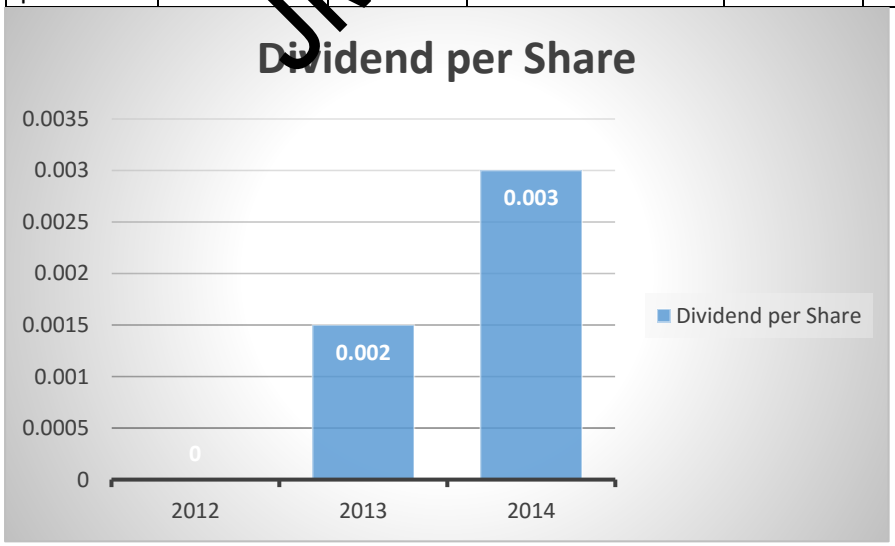


In 2012 36% of current liabilities could be met with cash in hand, this figure increased to 72% in 2013 and then further increased to 147%. This ratio and other liquidity ratios show that the company does not have liquidity issues and can meet its current liabilities comfortably. The trend is showing an increasing better liquidity position of the company as cash resources are increasing in the company because of debt and finance costs reducing which is resulting in reduced current liabilities.

n. **Dividend per share:** Dividend per share is an important investor ratio it helps them decide whether or not to invest in the company. As some investors expect a steady stream of dividends so if the company is offering dividends they might buy shares of that company. Dividends are also a good sign of company profitability. Companies who are expected to pay dividends regualry in the future have a higher share value.

Formula: Total dividend paid / No. of shares

Ratio	2012 Calc.s	2012	2013 Calc.s	2013	2014 Calc.s	2014
Dividend per Share		-	657179/438119118	0.002	1314357/438119118	0.003



Dividend per share is showing an increasing trend as the company has surplus cash it is distributing it as dividends to investors who want a return on investment. It is giving a positive signal to the investors that company is profitable and will announce more dividends in the future which would result an increase in share price that would result in share trading above face value and company earning share premiums which go into reserves.

- **Earning per share:** Earning per share is an important investor ratio. According to IAS 33 it must be disclosed in the face of the financial statements along with the comparative so that sound financial decisions could be made by the investors.

Formula: Earning/No. of shares

Ratio	2012 Calc.s	2012	2013 Calc.s	2013	2014 Calc.s	2014
Earning per Share	4108118/ 438119118	0.009	5502169/ 438119118	0.013	5965498/ 438119118	0.014